

Message Text

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PAGE 01 PARIS 02021 221208Z

11

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01

PA-01 PRS-01 AGR-05 /094 W

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O R 221205Z JAN 76

FM AMEMBASSY PARIS

TO DEPARTMENT OF TREASURY IMMEDIATE

INFO SECSTATE WASHDC 7067

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

LIMITED OFFICIAL USE PARIS 02021

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: EXCHANGE MARKET DEVELOPMENTS

REF: PARIS 1909

1. THE FACTORS CITED IN REFTEL POINTING TOWARD A SOMEWHAT WEAKER FRANC IN THE COMING MONTHS ALSO MAKE THE FRANC VULNERABLE TO SPECULATION IN THE WAKE OF RECENT FOREX DEVELOPMENTS IN ITALY.

2. THE MARKET ANTICIPATES A WEAKER FRANC AND BROADLY KNOWS THE LIMITS IMPOSED BY THE EC "SNAKE". THE MARKET MIGHT DECIDE TO TEST THESE LIMITS. THE BANK OF FRANCE SUPPORTED THE FRANC YESTERDAY BY SELLING AT LEAST 100 MILLION DOLLARS ACCORDING TO PRESS REPORTS. THE PRESSURE SO FAR IS FROM ABROAD. EUROFRANC INTEREST RATES ROSE INDICATING BORROWING ABROAD TO DEFER PAYMENTS

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PAGE 02 PARIS 02021 221208Z

IN THE EXPECTATION OF A LOWER FRANC EXCHANGE RATE.

HOWEVER, THE PRICE OF GOLD, A BAROMETER OF DOMESTIC
PRESSURE AGAINST THE FRANC, DID NOT RISE SHARPLY YESTER-
DAY AND REMAINS RELATIVELY CALM AS OF MARKET OPENING
THIS MORNING.

3. SPECULATION TODAY IS CONTINUING AT ABOUT THE SAME
PACE AS YESTERDAY ACCORDING TO BANK OF FRANCE SOURCES.
AS OF THIS REPORT, THE MARKET HAS BEEN OPEN ABOUT TWO
HOURS.
RUSH

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NNN

Message Attributes

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Disposition Authority: morefirh
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Margaret P. Grafeld
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